

SMUD News Release

Sacramento Municipal Utility District

News Media Services

916•732•5111

For immediate release

November 8, 2006

SMUD board reviews proposed no-rate-increase 2007 budget

Budget would maintain low rates and reliable service despite higher costs

The Sacramento Municipal Utility District (SMUD) Board of Directors will review staff's proposed \$1.36 billion budget at public meetings this week. The proposed 2007 budget is designed to meet the ambitious strategic targets set by the SMUD Directors while avoiding a rate increase and maintaining high service levels.

The proposed 2007 budget is 7 percent higher than the 2006 budget and covers a projected 4 percent increase in customer energy needs. Energy supply costs are the largest and most volatile segment of the budget. By contracting in advance and hedging against price volatility, SMUD will save \$77 million on fuel expenditures. Other utilities in California and across the nation have raised rates or are planning to raise rates to keep up with energy costs.

The controllable portion of the proposed operation and maintenance budget, such as costs to operate SMUD generation facilities, and employee salaries, is lower than 2006 when measured on a cost-per-customer basis. SMUD achieved this through increased efficiency in operations.

The proposed budget for 2007 also includes funding for programs and initiatives that will further enhance SMUD's leadership position in energy efficiency, renewable generation, advanced technologies and greenhouse gas reductions, for example, SMUD's solar programs, Solano Wind Farm capacity, and free shade tree program.

The proposed budget would also meet equity targets set by the SMUD Board. The target is to raise equity levels to 20 percent by the end of 2007, meaning no more than 80 percent of SMUD's assets would be financed with debt. The proposed budget aims to have \$46.7 million in net income that would put the District's equity level at 20.2 percent at the end of next year. Meeting the equity goal is critical to maintaining a good credit rating and the ability to borrow at reasonable rates.

--more--



2-2-2-2 No-rate-increase 2006 budget

Highlights of the proposed budget are:

- No rate increase.
- Maintain high customer service levels.
- More funding for energy efficiency, Zero Energy Homes and solar programs.
- Begin construction of 63 megawatt Solano Wind expansion.
- Higher customer participation in the discount program for low-income customers.
- Higher customer participation in Greenergy[®] program.
- Funding for the first year of a three-year program to install new electronic meters for all customers, plus \$2.2 million for pilot programs for other advanced metering technologies.

SMUD's customers continue to pay significantly less for electricity than most Californians and as much as 30 percent less than residential customers who are supplied by neighboring PG&E. SMUD provides electric service to Sacramento County and a small portion of Placer County.

**Comparison of California Utilities Annual Average Residential Electric Bills
750 kWh per month**

SMUD	\$ 73.01
Roseville Electric	\$ 73.95
L.A. Dept. of Water & Power	\$ 78.49
PG&E	\$ 109.48
San Diego Gas & Electric	\$ 116.51
Southern California Edison	\$ 118.12

###

